

On Track for Benefits: High-Speed Rail and Business Travel

How rail can help companies optimize their travel program.



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Imagine a travel solution that is punctual more than 90 percent of the time and enables travelers to work comfortably. That same solution is best in class in terms of environmental friendliness and can also be significantly cheaper than other means of transportation. Welcome to high-speed rail.

In recent years, rail companies have upgraded their offering to appeal to business travelers and are now proposing attractive solutions on many intercity routes. Yet companies sometimes underestimate the value of rail in their travel program. This article looks at the evolving benefits of rail travel and suggests ways for travel managers to optimize a rail strategy.

Why choose high-speed rail?

Rail offers a long list of benefits for business travelers:

- **Fast.** High-speed rail can be the fastest solution for traveling between city centers. Although travelers generally spend more time on a train than on a plane to arrive at the same destination, their total door-to-door journey is often shorter. This takes into account the additional time required to reach outlying airports, go through security checks and board. (See the chart on Page 25.)
- **Convenient.** A 2006 survey by the University of the West of England, Bristol University and Lancaster University for Network Rail found that 96 percent of U.K. business people who work on the train believe their travel time is worthwhile. Individual work tables, meeting spaces, electrical power points, Wi-Fi and mobile connectivity all help create a productive working environment.

- **Seamless.** According to the International Air Rail Organization, air-rail links are now offered at 116 airports, mainly in Asia and Europe, while a further 250 “intermodal” air-rail connections are planned or under construction. These provide a direct, convenient way for travelers to reach their final destination, usually cutting down the time spent in transit.
- **Frequent.** Intercity rail links run frequently, sometimes several times per hour at peak times. For example, Thalys, a service provided jointly by the Belgian, Dutch, French and German railways, provides 25 daily departures from Brussels to Paris, while Eurostar currently offers 14 departures from Paris to London and 10 departures from London to Brussels.
- **Punctual.** Rail can also be the most reliable of all travel solutions. Unlike air or road transportation, it is largely unaffected by congestion and most inclement weather conditions. Recent figures reveal more than 90 percent punctuality (defined as being within 15 minutes of the scheduled time) on several high-speed lines, including routes operated by Eurostar, Belgium’s SNCB, Switzerland’s CCF and Spain’s AVE. In contrast, punctuality at London’s airports stands at approximately 70 percent, according to figures issued in 2007 by the U.K. Civil Aviation Authority.
- **Green.** The carbon cost of business travel is increasingly relevant to companies as they reinforce their corporate social responsibility initiatives and integrate a green policy into their travel program. As measured by the CWT carbon calculator (based on data from the U.K.-based environmental consultancy AEA Energy & Environment) rail services, including slower regional trains, produce on average five times less carbon than comparable car journeys, four times less than short-haul air travel and three times less than long-haul air travel.¹
- **Safe.** Rail has the best safety record of any mode of transport, according to the European Transport Safety Council. To further uphold safety standards, legislation passed by the European Commission in June will require all EU train drivers to hold a certificate based on their skills, qualifications and health starting in 2010.
- **Economic.** High-speed rail can be significantly cheaper than air, especially for travel between city centers. (See the chart on Page 25.) When the cost of transportation to and from airports is taken into account, the difference can be more than 50 percent. For example, a round-trip Paris-Strasbourg ticket costs approximately €130 (US\$180) by rail, compared to approximately €300 (US\$414) by air, including an average taxi fare.

¹ Short-haul (vs. long-haul) is defined as distances under 966 kilometers (600 miles).

High-speed rail provides a viable alternative to air on many intercity routes

Routes with air-rail competition	Duration of rail travel	Duration of flight	Approx. duration of travel to and from airport	Average rail ticket price (US\$) *	Average air ticket price (US\$) *	Price difference of rail vs. air	Rail market share**
Paris - Lyon	1:55	1:05	1:20	100	494	-80%	94%
Amsterdam - Brussels	2:40	0:50	1:00	151	476	-68%	72%
London - Paris	2:35	1:10	1:40	605	591	+2%	56%
London - Brussels	2:20	1:00	1:10	559	393	+42%	40%
Geneva - Paris	3:34	1:10	1:20	242	580	-58%	16%
Amsterdam - Paris	4:12	1:15	1:30	306	693	-56%	8%

Source: CWT Travel Management Institute

* First semester 2007. Average air ticket prices include taxes but exclude taxi fares to and from the airport.

** Rail market share is expressed as a percentage of total travel transactions.

A better, faster network

High-speed rail services are continuously upgraded, offering more routes and faster travel times, especially in Europe and Asia. According to the International Union of Railways, the world's high-speed network currently covers 7,300 kilometers (4,530 miles). Europe accounts for 70 percent of the network, with 5,200 kilometers or 3,230 miles—the Continent's high-speed network will increase 15.4 percent by 2010— while Asia accounts for 20 percent. Africa, the United States and Canada account for the remaining 10 percent.

Examples of recent and upcoming developments include the following:

- In June, the **TGV East** opened up connections between 20 French cities and 12 destinations in Germany, Luxembourg and Switzerland. Running at a record speed of up to 320 km/h (199 mph), the service is slated to extend to Bratislava, Slovakia, by 2015.
- In November, **Eurostar** will cut travel time by 20 minutes by transferring to a new London terminal, St. Pancras International. Travel from London to Paris will take only 2 hours 15 minutes. Travel times to Amsterdam, Brussels and Lille will also drop.
- By the end of 2007, travel time on the **Madrid-Barcelona** route will be cut from 4 hours 30 minutes to just under 4 hours. By the end of 2008, the same journey could take 2 hours 30 minutes, thanks to high-speed service along the entire route. Improvements will be made on other Spanish routes as well.
- In 2008, Thalys plans to introduce high-speed service on its **Brussels-Amsterdam** route, cutting an hour from the travel time to 1 hour 30 minutes.

High-speed developments in Europe (2010-2020)



NEW LINES	— ≥ 250 km/h	— < 250 km/h	— Planned lines
UPGRADED LINES	— ≤ 230 km/h	— ≤ 200 km/h	— Planned lines

Source: International Union of Railways, 2006

- By 2010, the **Beijing-Shanghai** service will be 60 percent faster, taking 4 hours instead of the current 9 hours.
- Also by 2010, high-speed services in **Korea** will extend beyond the current Seoul-Daegu line to add Daegu-Pusan (1 hour 40 minutes) and Seoul-Pusan (under 2 hours 40 minutes).
- By 2015, four new high-speed lines will be in service in **Japan**: Hachinohe-Shin-Aomori (in 2011), Hakata-Shin-Yatsushiro (in 2011), Nagano-Kanazawa (in 2015) and Aomori-Shin-Hakodate (in 2015).
- In **Africa**, a number of projects are under development, mainly in Algeria (Alger-Tlemcen in 2010) and Morocco (Casablanca-Marrakech, Marrakech-Agadir and Casablanca-Tanger by 2015).
- In **India**, the government has announced plans for the country's first high-speed rail line, connecting the state capital of Andhra Pradesh, Hyderabad, with Machilipatnam.
- In the **United States**, a new high-speed service could connect San Francisco and Los Angeles in 2 hours 30 minutes, although the project is still under discussion after more than 10 years. Currently, the country has only one major high-speed train line, the Amtrak Acela Express (Boston-New York-Philadelphia-Washington).

More good news

- **Alliance services.** Another important development is the launch of the first rail alliance, Railteam, in July 2007. National rail companies in Austria (OBB), Belgium (SNCB), France (SNCF), Germany (Deutsche Bahn), the Netherlands (NS) and Switzerland (CFF) have joined forces to improve service for travelers. Like air alliances, Railteam will link up members' hubs to extend the number of destinations available. The partners also plan to coordinate their sales strategy with joint pricing and corporate contracts, as well as frequent traveler benefits and access to special business lounges.
- **Competitive pricing.** Rail companies are increasingly adopting pricing practices used in the airline industry. In particular, they have introduced yield management techniques to offer a wider choice of prices and service classes, depending on supply and demand at any given time. Notably, tickets booked in advance tend to be cheaper: on the Paris-Marseille route, for example, a round-trip ticket can be 66 percent cheaper when booked 60 days before the departure date, compared to on the day of travel. In addition, rail operators can offer significant corporate discounts on city pairs when they are in competition with airlines.
- **Improved distribution.** More rail content is now available through the major online booking tools, as well as through global distribution systems (GDSs). Sabre introduced Japanese Rail East content in May 2007, while Worldspan recently announced American, European and Japanese rail services. Amadeus has also integrated rail content from Europe, as well as Australia, Canada, India, New Zealand

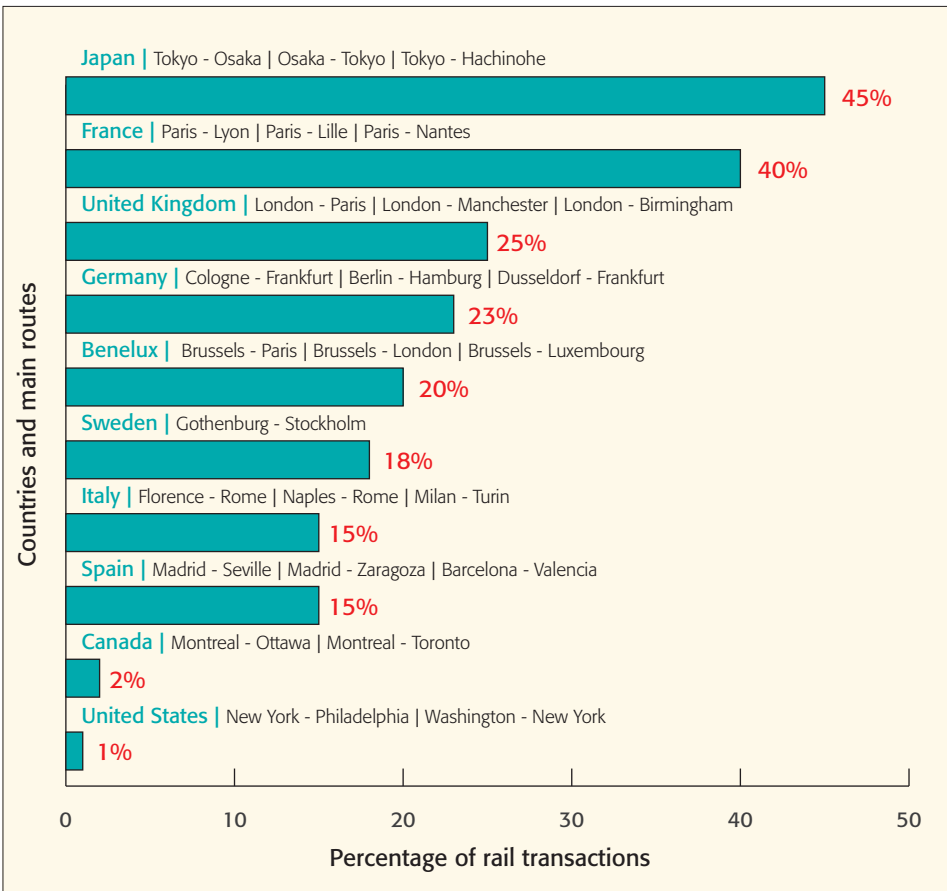
and the United States. Like airlines, rail providers are increasingly providing e-tickets to boost customer convenience.

Integrating rail into the travel program

Rail, both high-speed and “traditional,” accounts for a large share of business travel in many countries, especially in Asia and Europe. Japan ranks first worldwide with 45 percent of all business travel conducted by rail, closely followed by France (40 percent). Rail also commands double-digit market share in the United Kingdom (25 percent), Germany (23 percent), Benelux (20 percent), Sweden (18 percent), Italy and Spain (both 15 percent). These figures are in sharp contrast to the 1 percent to 2 percent observed in North America, where the high-speed network is far less developed. (See the graph below.)

On those routes where air and rail travel are possible, the share of each depends on the length of the journey. As the table on Page 29 shows, high-speed services have captured the highest market share when travel time is under three hours (from 50 percent to more than 90 percent in the examples shown). Rail is also more attractive for travelers who plan to stay at least one night at their destination.

Rail as a proportion of business travel transactions (air, rail and car)



Source: CWT client data (2006)

Share of rail in business travel based on length of trip

Travel Time	Market Share
<2 hours	>90%
2-3 hours	50%
3-6 hours	<30%

Source: CWT Travel Management Institute

In view of the benefits and ongoing developments, companies would do well to consider whether they are making the most of rail within their travel program. CWT suggests a five-step approach:

1. **Identify the main routes where rail is an alternative to air**, looking at the number of daily departures and the duration of the trip. As seen earlier, rail could well be a convenient solution when travel time is under three hours, especially when an overnight stay is involved. When a trip is longer than three hours and/or involves a same-day return, air travel is likely to be more attractive.
2. **Define the company's current volume of rail traffic and estimate the potential increase** by switching from air to rail on specific routes. Companies may be able to negotiate more favorable rates when they present large volumes on routes where rail is in competition with air. The margin for negotiation is, however, generally low.
3. **Evaluate the savings potential** by comparing average ticket prices for rail and air and applying forecast volumes. The financial savings may be substantial: one CWT client recently shaved US\$2 million from its US\$18 million annual program in fewer than eight months. Companies should also consider the environmental benefits in terms of reduced carbon emissions.
4. **Update the travel policy to support a rail sourcing strategy and promote compliance** through mandates, internal communications and pre-trip approval processes.
5. **Keep an eye on developments in the market and regularly review the rail program** to ensure that the company benefits from new opportunities.

There are several good reasons for integrating a rail policy into a managed travel program. Cost, comfort and convenience rank high on the list. An impressive safety record and reduced carbon emissions are equally convincing. Getting your travel program on track means weighing the options, increasing rail volume where appropriate and communicating the benefits to wary travelers. Successfully doing so will pay off considerably. ■